

Postville Community School District

Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings

June 30, 2006

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Postville Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2005 Election)

Brad Rekow	President	2006
Gary Catterson	Board Member	2005
Dennis Koenig	Board Member	2005
Staci Malcom	Board Member	2007
Jamie Smith	Board Member	2007

Board of Education

(After September 2005 Election)

Brad Rekow	President	2006
Laura Lubka	Board Member	2008
Jeff Cox	Board Member	2008
Staci Malcom	Board Member	2007
Jamie Smith	Board Member	2007

School Officials

David Strudthoff	Superintendent	2006
Clara Lensing	District Secretary	2006
Mike Kruckenberg	District Treasurer	2006
Stephan Saunders	Attorney	2006

Independent Auditor's Report

To the Board of Education of
Postville Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Postville Community School District, Postville, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

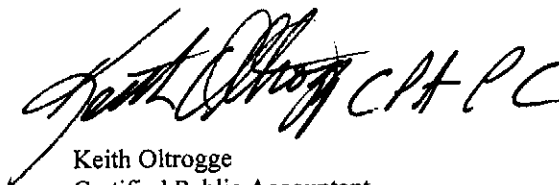
I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Postville Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated August 22, 2006 on my consideration of Postville Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Postville Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Keith Oltrogge CPA PC", with the letters "CPA PC" written in a larger, more stylized font to the right of the signature.

Keith Oltrogge
Certified Public Accountant

August 22, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Postville Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,593,454 in fiscal 2005 to \$5,009,739 in fiscal 2006, and General Fund expenditures increased from \$4,458,428 in fiscal 2005 to \$4,974,553 in fiscal 2006. The District's General Fund balance decreased from \$294,689 in fiscal year 2005 to \$257,138 in fiscal year 2006, a 13% decrease.
- The increase in General Fund revenues was attributable to an increase in local taxes and state and federal grant revenue in fiscal year 2006. The increase in expenditures was due primarily to an increase in instructional costs.
- The District's solvency ratio has decreased from 6.6% at June 30, 2005 to 5.2% at June 30, 2006. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Postville Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Postville Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Postville Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Postville Community School District Annual Financial Report

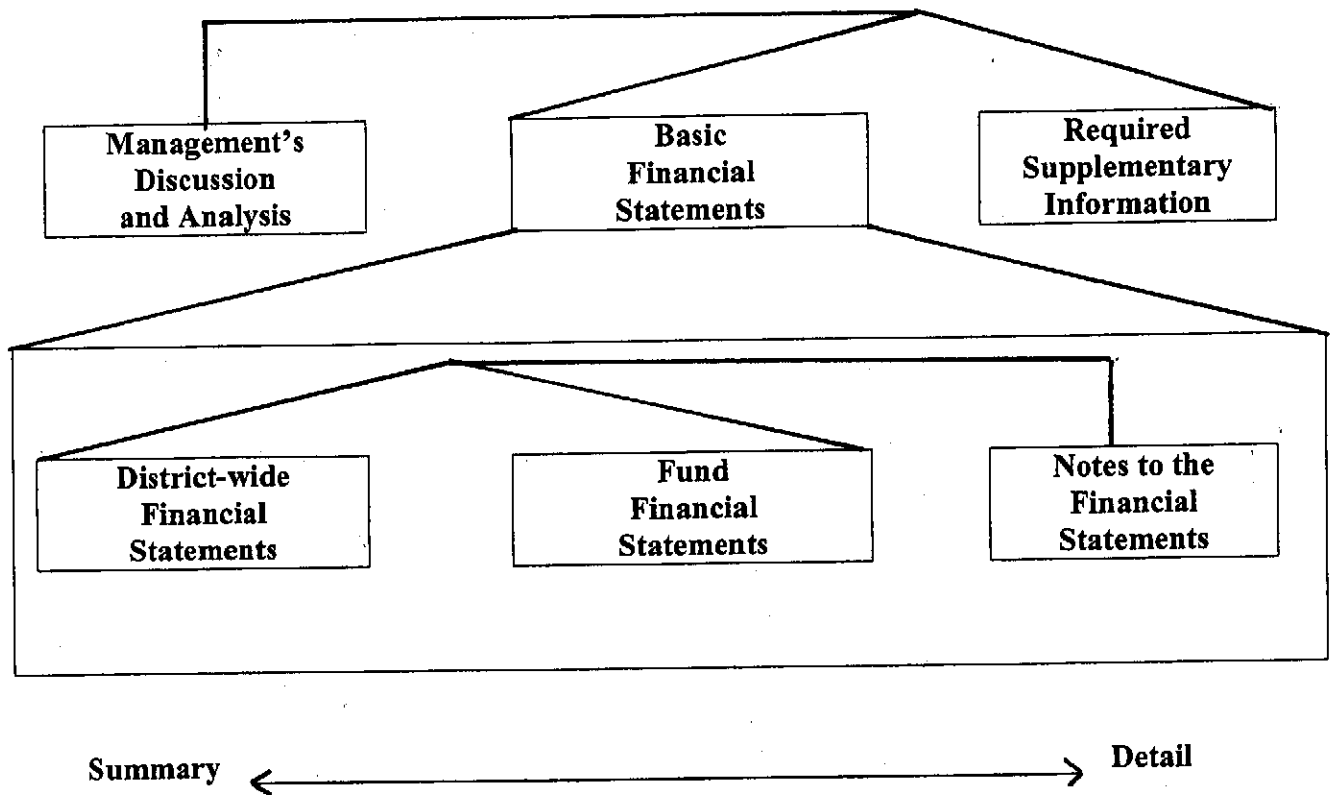


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net assets	Statement of changes in fiduciary net assets
			Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Trust and Agency Funds.

- Trust Funds – The District accounts for outside donations for scholarships for individual students in these funds.
- Agency Funds – These are funds through which the District administers and accounts for certain revenue collected for District activities and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
Current and other assets	\$4,612,864	\$4,430,116	\$85,156	\$70,160	\$4,698,020	\$4,500,276	\$197,744
Capital assets	6,457,390	6,002,009	45,291	52,315	6,502,681	6,054,324	448,357
Total assets	\$11,070,254	\$10,432,125	\$130,447	\$122,475	\$11,200,701	\$10,554,600	\$646,101
Long-term liabilities	\$2,552,520	\$2,711,294	\$-	\$-	\$2,552,520	\$2,711,294	-\$158,774
Other liabilities	3,591,838	3,610,987	5,589	2,551	3,597,427	3,613,538	-16,111
Total liabilities	\$6,144,358	\$6,322,281	\$5,589	\$2,551	\$6,149,947	\$6,324,832	-\$174,885
Net assets:							
Invested in capital assets, net of related debt	\$4,012,920	\$3,390,106	\$45,291	\$52,315	\$4,058,211	\$3,442,421	\$615,790
Restricted	350,996	263,247	-	-	350,996	263,247	87,749
Unrestricted	561,980	456,491	79,567	67,609	641,547	524,100	117,447
Total net assets	\$4,925,896	\$4,109,844	\$124,858	\$119,924	\$5,050,754	\$4,229,768	\$820,986

The District's combined net assets increased by nearly 18%, or \$117,447, over the prior year. The largest portion of the District's net assets is in the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$87,749 or 25% over the prior year. The increase was due to the principal payments for the QZAB Loan in the Physical Plant and Equipment Levy Fund. (See Note 7)

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by \$117,447, or 18%.

Figure A-4 shows the change in net assets for the year ended June 30, 2006.

Figure A-4
Changes in Net Assets

	Governmental Activities	Business Type Activities	Total District
Revenues:			
Program revenues:			
Charges for service	\$265,815	\$100,096	\$365,911
Operating grants, contributions and restricted interest	884,970	177,594	1,062,564
Capital grants, contributions and restricted interest	265,408	-	265,408
General revenues:			
Property tax	1,783,127	-	1,783,127
Local option sales and service tax	324,899	-	324,899
Unrestricted state grants	2,497,778	-	2,497,778
Unrestricted investment earnings	97,670	1,958	99,628
Other	61,414	-	61,414
Total revenues	\$6,181,081	\$279,648	\$6,460,729
Program expenses:			
Governmental activities:			
Instruction	\$3,299,036	\$1,680	\$3,300,716
Support services	1,805,079	-	1,805,079
Non-instructional programs	996	273,034	274,030
Other expenses	264,038	-	264,038
Total expenses	\$5,369,149	\$274,714	\$5,643,863
Change in net assets	\$811,932	\$4,934	\$816,866

Property tax and unrestricted state grants account for 66.3% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90.5% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$6,181,081 and expenses were \$5,369,149. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
**Total and Net Cost of Governmental
Activities**

	Total Cost of Services	Net Cost of Services
Instruction	\$3,299,036	\$2,165,844
Support Services	1,805,079	1,787,486
Non-instructional programs	996	996
Other expenses	264,038	-1,370
Totals	\$5,369,149	\$3,952,956

- The cost financed by users of the District's programs was \$365,911.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,062,564.
- The net cost of governmental activities was financed with \$2,108,026 in property and other taxes and \$2,497,778 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$279,648 and expenses were \$274,714. The District's business type activities include the School Nutrition Fund and Student Construction Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Postville Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$4,925,896, well above last year's ending fund balances of \$4,109,844.

Governmental Fund Highlights

- The General Fund balance decreased from \$294,689 to \$257,138 due in part to the transfer to debt service.

BUDGETARY HIGHLIGHTS

Over the course of the year, Postville Community School District amended its annual budget one time to reflect additional expenditures associated with remodeling project payments for the summer of 2006.

The District's receipts were \$137,557 more than budgeted receipts, a variance of 2.2%. The most significant variance resulted from the District receiving more in federal aid than originally anticipated.

The District's total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$6,502,681, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 7% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$313,190.

The original cost of the District's capital assets was \$13,487,224. Governmental funds account for \$13,406,664, with the remainder of \$80,560 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
Land	\$89,000	\$89,000	\$-	\$-	\$89,000	\$89,000	\$-
Construction in progress	416,849	12,500	-	-	416,849	12,500	404,349
Buildings	5,288,112	5,341,574	-	-	5,288,112	5,341,574	-53,462
Improvements other than buildings	207,991	129,779	-	-	207,991	129,779	78,212
Furniture and equipment	455,438	429,156	45,291	52,315	500,729	481,471	19,258
Totals	\$6,457,390	\$6,002,009	\$45,291	\$52,315	\$6,502,681	\$6,054,324	\$448,357

Long-Term Debt

At June 30, 2006, the District had \$2,552,520 in other long-term debt outstanding. This represents a decrease of 6% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total District		Total Change
	June 30,		June 30,
	2006	2005	2005-2006
Capital notes payable	\$2,425,452	\$2,520,000	-\$94,548
Early retirement	108,050	99,391	8,659
Capital lease	19,018	91,903	-72,885
Totals	\$2,552,520	\$2,711,294	-\$158,774

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District had two construction contracts as of June 30, 2006 which were not complete. One was for High School remodeling of which \$260,764 was not complete and a second was a contract to replace the gym floor of which \$38,100 was not complete.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Clara Lensing, District Secretary, Postville Community School District, P.O. Box 717, Postville IA 52162.

Basic Financial Statements

Postville Community School District

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents:			
ISCAP	\$ 1,214,743	\$ -	\$ 1,214,743
Other	1,428,540	67,192	1,495,732
Receivables:			
Property tax:			
Delinquent	36,529	-	36,529
Succeeding year	1,664,510	-	1,664,510
Accounts	5,304	276	5,580
Accrued interest:			
ISCAP	11,031	-	11,031
Escrow account	15,447	-	15,447
Due from other funds	161	-	161
Due from other governments	236,599	4,695	241,294
Inventories	-	12,993	12,993
Capital assets, net of accumulated depreciation	6,457,390	45,291	6,502,681
Total Assets	\$ 11,070,254	\$ 130,447	\$ 11,200,701
Liabilities			
Accounts payable	\$ 278,628	\$ 206	\$ 278,834
Salaries and benefits payable	409,940	2,286	412,226
Due from other funds	-	161	161
Accrued interest payable	5,861	-	5,861
Deferred revenue-succeeding year property tax	1,664,510	-	1,664,510
Deferred revenue-other	-	2,936	2,936
ISCAP warrants payable	1,214,000	-	1,214,000
ISCAP accrued interest payable	10,391	-	10,391
Other current liabilities	8,508	-	8,508
Long-term liabilities:			
Portion due within one year:			
Capital notes payable	220,637	-	220,637
Early retirement	39,688	-	39,688
Capital lease	19,018	-	19,018
Portion due after one year:			
Capital notes payable	2,204,815	-	2,204,815
Early retirement	68,362	-	68,362
Total Liabilities	\$ 6,144,358	\$ 5,589	\$ 6,149,947
Net Assets			
Invested in capital assets, net of related debt	\$ 4,012,920	\$ 45,291	\$ 4,058,211
Restricted	350,996	-	350,996
Unrestricted	561,980	79,567	641,547
Total Net Assets	\$ 4,925,896	\$ 124,858	\$ 5,050,754

See notes to financial statements.

Postville Community School District

Statement of Activities

Year Ended June 30, 2006

	Program Revenues			
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Expenses			
<u>Functions/Programs</u>				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 2,071,979	\$ 91,498	\$ 701,787	\$ -
Special instruction	406,782	21,073	168,125	-
Other instruction	820,275	144,519	6,190	-
	<u>\$ 3,299,036</u>	<u>\$ 257,090</u>	<u>\$ 876,102</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 166,615	\$ -	\$ 5,290	\$ -
Instructional staff services	229,235	-	3,578	-
Administration services	650,416	-	-	-
Operation and maintenance of plant services	532,609	3,904	-	-
Transportation services	209,944	4,821	-	-
Community service	16,260	-	-	-
	<u>\$ 1,805,079</u>	<u>\$ 8,725</u>	<u>\$ 8,868</u>	<u>\$ -</u>
Non-instructional programs	<u>\$ 996</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Expenditures:				
Facilities acquisition	\$ 2,150	\$ -	\$ -	\$ 265,408
Long-term debt interest	64,276	-	-	-
AEA flow-through	197,612	-	-	-
	<u>\$ 264,038</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 265,408</u>
Total Governmental Activities	<u>\$ 5,369,149</u>	<u>\$ 265,815</u>	<u>\$ 884,970</u>	<u>\$ 265,408</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 273,034	\$ 98,296	\$ 177,594	\$ -
Other Instruction:				
Student construction	1,680	1,800	-	-
	<u>\$ 274,714</u>	<u>\$ 100,096</u>	<u>\$ 177,594</u>	<u>\$ -</u>
Total	<u>\$ 5,643,863</u>	<u>\$ 365,911</u>	<u>\$ 1,062,564</u>	<u>\$ 265,408</u>

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total
\$	-1,278,694	\$	-	\$ -1,278,694
	-217,584		-	-217,584
	-669,566		-	-669,566
\$	-2,165,844	\$	-	\$ -2,165,844
\$	-161,325	\$	-	\$ -161,325
	-225,657		-	-225,657
	-650,416		-	-650,416
	-528,705		-	-528,705
	-205,123		-	-205,123
	-16,260		-	-16,260
\$	-1,787,486	\$	-	\$ -1,787,486
\$	-996	\$	-	\$ -996
\$	263,258	\$	-	\$ 263,258
	-64,276		-	-64,276
	-197,612		-	-197,612
\$	1,370	\$	-	\$ 1,370
\$	-3,952,956	\$	-	\$ -3,952,956
\$	-	\$	2,856	\$ 2,856
	-		120	120
\$	-	\$	2,976	\$ 2,976
\$	-3,952,956	\$	2,976	\$ -3,949,980

Postville Community School District

Statement of Activities

Year Ended June 30, 2006

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			

General Revenues:

Property Tax Levied For:
 General purposes
 Capital outlay
Local option sales and services tax
Unrestricted state grants
Unrestricted investment earnings
Other

Total General Revenues

Change in net assets before adjustment/sales

Beginning balance adjustment

Sale of assets

Change in net assets
Net assets beginning of year

Net Assets End of Year

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ 1,548,923	\$ -	\$ 1,548,923
234,204	-	234,204
324,899	-	324,899
2,497,778	-	2,497,778
97,670	1,958	99,628
61,414	-	61,414
\$ 4,764,888	\$ 1,958	\$ 4,766,846
\$ 811,932	\$ 4,934	\$ 816,866
\$ -822	\$ -	\$ -822
4,942	-	4,942
\$ 4,120	\$	\$ 4,120
\$ 816,052	\$ 4,934	\$ 820,986
4,109,844	119,924	4,229,768
\$ 4,925,896	\$ 124,858	\$ 5,050,754

Postville Community School District

Balance Sheet
Governmental Funds

June 30, 2006

	General	Physical Plant and Equipment Levy	Capital Projects	Non- major Special Revenue	Total
Assets					
Cash and Pooled Investments:					
ISCAP	\$ 1,214,743	\$ -	\$ -	\$ -	\$ 1,214,743
Other	621,925	413,560	231,476	161,579	1,428,540
Receivables:					
Property Tax:					
Delinquent	28,430	5,727	-	2,372	36,529
Succeeding year	1,324,589	219,921	-	120,000	1,664,510
Accounts	308	-	-	4,996	5,304
Accrued Interest:					
ISCAP	11,031	-	-	-	11,031
Due from other funds	161	-	-	-	161
Due from other governments	46,580	-	190,019	-	236,599
Total Assets	\$ 3,247,767	\$ 639,208	\$ 421,495	\$ 288,947	\$ 4,597,417
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	\$ 23,201	\$ -	\$ 253,146	\$ 2,281	\$ 278,628
Salaries and benefits payable	409,940	-	-	-	409,940
Due to other funds	-	-	-	-	-
ISCAP warrants payable	1,214,000	-	-	-	1,214,000
ISCAP accrued interest payable	10,391	-	-	-	10,391
Other current liabilities	8,508	-	-	-	8,508
Deferred Revenue:					
Succeeding year property tax	1,324,589	219,921	-	120,000	1,664,510
Total Liabilities	\$ 2,990,629	\$ 219,921	\$ 253,146	\$ 122,281	\$ 3,585,977
Fund Balances:					
Reserved	\$ -	\$ 366,443	\$ -	\$ -	\$ 366,443
Unreserved	257,138	52,844	168,349	166,666	644,997
Total Fund Balances	\$ 257,138	\$ 419,287	\$ 168,349	\$ 166,666	\$ 1,011,440
Total Liabilities & Fund Balances	\$ 3,247,767	\$ 639,208	\$ 421,495	\$ 288,947	\$ 4,597,417

Postville Community School District
Reconciliation of the Balance Sheet – Governmental Funds
To the Statement of Net Assets

June 30, 2006

Total fund balances of governmental funds (page 16)	\$ 1,011,440
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	6,457,390
Accrued interest receivable on long-term liabilities is not receivable in the current period and, therefore, is not reported as an asset in the governmental funds	15,447
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-5,861
Long-term liabilities, including capital notes payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds	<u>-2,552,520</u>
Net assets of governmental activities (page 13)	<u>\$ 4,925,896</u>

Postville Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2006

	General	Physical Plant and Equipment Levy	Capital Projects	Non- Major Special Revenue	Total
Revenues:					
Local Sources:					
Local tax	\$ 1,439,125	\$ 234,204	\$ -	\$ 109,798	\$ 1,783,127
Tuition	98,971	-	-	-	98,971
Other	89,096	17,186	382,959	153,768	643,009
Intermediate sources	-	-	-	-	-
State sources	2,908,231	134	-	67	2,908,432
Federal sources	474,316	-	265,408	-	739,724
Total Revenues	\$ 5,009,739	\$ 251,524	\$ 648,367	\$ 263,633	\$ 6,173,263
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 1,921,339	\$ -	\$ -	\$ 50,384	\$ 1,971,723
Special instruction	499,879	-	-	-	499,879
Other instruction	650,560	-	-	152,454	803,014
	\$ 3,071,778	\$ -	\$ -	\$ 202,838	\$ 3,274,616
Support Services:					
Student services	\$ 165,842	\$ -	\$ -	\$ 773	\$ 166,615
Instructional staff services	221,176	-	-	3,203	224,379
Administration services	648,251	982	-	3,942	653,175
Operation and maintenance of plant services	484,201	-	-	43,592	527,793
Transportation services	169,433	-	-	10,919	180,352
Community service	16,260	-	-	-	16,260
	\$ 1,705,163	\$ 982	\$ -	\$ 62,429	\$ 1,768,574
Non-instructional	\$ -	\$ -	\$ -	\$ 996	\$ 996
Other Expenditures:					
Facilities acquisition	\$ -	\$ -	\$ 509,799	\$ -	\$ 509,799
Long-Term Debt:					
Principal	-	-	-	317,432	317,432
Interest and fiscal charges	-	-	-	64,976	64,976
AEA flow-through	197,612	-	-	-	197,612
	\$ 197,612	\$ -	\$ 509,799	\$ 382,408	\$ 1,089,819
Total Expenditures	\$ 4,974,553	\$ 982	\$ 509,799	\$ 648,671	\$ 6,134,005
Excess (deficiency) of revenues over (under) expenditures	\$ 35,186	\$ 250,542	\$ 138,568	\$ -385,038	\$ 39,258
Other Financing Sources (Uses):					
Beginning balance adjustment	\$ -822	\$ -	\$ -	\$ -	\$ -822
Operating transfers in	1,617	-	1,525	382,408	385,550
Operating transfers out	-78,474	-78,813	-226,646	-1,617	-385,550
Loan proceeds	-	-	150,001	-	150,001
Sale of equipment	4,942	-	-	-	4,942
Total Other Financing Sources (Uses)	\$ -72,737	\$ -78,813	\$ -75,120	\$ 380,791	\$ 154,121

Postville Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2006

	General	Physical Plant and Equipment Levy	Capital Projects	Non- Major Special Revenue	Total
Net change in fund balances	\$ -37,551	\$ 171,729	\$ 63,448	\$ -4,247	\$ 193,379
Fund balances beginning of year	294,689	247,558	104,901	170,913	818,061
Fund Balances End of Year	\$ 257,138	\$ 419,287	\$ 168,349	\$ 166,666	\$ 1,011,440

Postville Community School District

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
To the Statement of Activities**

Year Ended June 30, 2006

Net change in fund balances – total governmental funds (page 19) \$ 193,379

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 732,019	
Depreciation expense	-306,167	
Fixed Asset Adjustment	<u>29,529</u>	455,381

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	\$ -150,001	
Repaid	<u>317,432</u>	167,431

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

700

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	-8,657
------------------	--------

Interest on long-term debt escrow account in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as a revenue in the fund when received. In the Statement of Activities, interest revenue is recognized as interest receivable, regardless of when it is received

7,818

Change in Net Assets of Governmental Activities (page 15)

\$ 816,052

Postville Community School District

Statement of Net Assets
Proprietary Funds

June 30, 2006

	School Nutrition	Student Construction	Total
Assets			
Cash and cash equivalents	\$ 67,072	\$ 120	\$ 67,192
Accounts receivable	276	-	276
Due from other governments	4,695	-	4,695
Inventories	12,993	-	12,993
Capital assets, net of accumulated depreciation	45,291	-	45,291
Total Assets	\$ 130,327	\$ 120	\$ 130,447
Liabilities			
Due to other funds	\$ 161	\$ -	\$ 161
Accounts payable	206	-	206
Salaries and benefits payable	2,286	-	2,286
Deferred revenue	2,936	-	2,936
Total Liabilities	\$ 5,589	\$ -	\$ 5,589
Net Assets			
Invested in capital assets, net of related debt	\$ 45,291	\$ -	\$ 45,291
Unrestricted	79,447	120	79,567
Total Net Assets	\$ 124,738	\$ 120	\$ 124,858

Postville Community School District

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

June 30, 2006

	School Nutrition	Student Construction	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 98,296	\$ -	\$ 98,296
Student sales	-	1,800	1,800
	<u>\$ 98,296</u>	<u>\$ 1,800</u>	<u>\$ 100,096</u>
Operating expenses:			
Instruction:			
Other instruction:			
Supplies	\$ -	\$ 1,680	\$ 1,680
Non-instructional programs:			
Food service operations:			
Salaries	\$ 99,397	\$ -	\$ 99,397
Benefits	34,317	-	34,317
Purchased services	2,327	-	2,327
Supplies	129,970	-	129,970
Depreciation	7,023	-	7,023
	<u>\$ 273,034</u>	<u>\$ -</u>	<u>\$ 273,034</u>
Total operating expenses	<u>\$ 273,034</u>	<u>\$ 1,680</u>	<u>\$ 274,714</u>
Operating income (loss)	<u>\$ -174,738</u>	<u>\$ 120</u>	<u>\$ -174,618</u>
Non-operating revenues:			
State sources	\$ 3,344	\$ -	\$ 3,344
Federal sources	174,250	-	174,250
Interest income	1,958	-	1,958
Total non-operating revenues	<u>\$ 179,552</u>	<u>\$ -</u>	<u>\$ 179,552</u>
Change in net assets	<u>\$ 4,814</u>	<u>\$ 120</u>	<u>\$ 4,934</u>
Net assets beginning of year	<u>119,924</u>	<u>-</u>	<u>119,924</u>
Net Assets End of Year	<u>\$ 124,738</u>	<u>\$ 120</u>	<u>\$ 124,858</u>

Postville Community School District

Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2006

	School Nutrition	Student Construction
Cash flows from operating activities:		
Cash received from sales	\$ -	\$ 1,800
Cash received from sale of lunches and breakfasts	101,056	-
Cash paid to employees for services	-133,706	-
Cash paid to suppliers for goods or services	-113,115	-1,680
Net cash provided (used) by operating activities	\$ -145,765	\$ 120
Cash flows from non-capital financing activities:		
State grants received	\$ 3,344	\$ -
Federal grants received	154,853	-
Net cash provided by non-capital financing activities	\$ 158,197	\$ -
Cash flows from investing activities:		
Interest on investments	\$ 1,958	\$ -
Net increase in cash and cash equivalents	\$ 14,390	\$ 120
Cash and cash equivalents beginning of year	52,682	-
Cash and Cash Equivalents End of Year	\$ 67,072	\$ 120
Reconciliation of operating loss to net cash used by operating activities:		
Operating (loss) income	\$ -174,738	\$ 120
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used	18,188	-
Depreciation	7,023	-
Decrease in inventories	898	-
(Increase) in accounts receivable	-175	-
(Decrease) in accounts payable	-66	-
Increase in salaries and benefits payable	8	-
Increase in deferred revenue	2,936	-
Increase in due to other funds	161	-
Net Cash Provided (Used) by Operating Activities	\$ -145,765	\$ 120

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$18,146 of federal commodities.

Postville Community School District

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2006

	Trusts		
	Expendable Scholarships	Non- Expendable Scholarships	Agency
Assets			
Cash and pooled investments	\$ 11,136	\$ 20,738	\$ 10,540
Accounts receivable	-	-	163
Total Assets	\$ 11,136	\$ 20,738	\$ 10,703
Liabilities			
Accounts payable	\$ -	\$ -	\$ 10,703
Net assets			
Reserved for scholarships	\$ 11,136	\$ 20,738	\$ -

See notes to financial statements.

Postville Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2006

	Trusts	
	Expendable	Non-Expendable
Additions:		
Local sources:		
Interest income	\$ 965	\$ -
Contributions	4,082	-
	<u>\$ 5,047</u>	<u>\$ -</u>
Deductions:		
Instruction:		
Regular instruction:		
Scholarships awarded	\$ 629	\$ -
Change in net assets	\$ 4,418	\$ -
Net assets beginning of year	6,718	20,738
Net Assets End of Year	<u>\$ 11,136</u>	<u>\$ 20,738</u>

Postville Community School District

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

Postville Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Postville, Iowa and portions of the predominately agricultural territories in Allamakee, Clayton, Fayette and Winneshiek Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Postville Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Postville Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements -- Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Physical Plant and Equipment Levy is used to account for all resources used in the acquisition of building improvements and equipment purchases.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Trust Funds are used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	500
Improvements other than buildings	500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	500

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) **Due From and Due to Other Funds**

The detail of inter-fund receivables and payables at June 30, 2006 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Enterprise – School Nutrition	\$ 161

The Enterprise Fund – School Nutrition owes the General Fund for a federal grant. The grant will be repaid after June 30, 2006.

(4) **Inter-fund Transfers**

The detail of inter-fund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 226,646
Debt Service	Physical Plant and Equipment Levy	78,813
General Fund	Activity	1,617
Debt Service	General Fund	76,949
Capital Projects	General Fund	1,525
Total		\$ 385,550

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) **Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2006 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable	Un-amortized Premium
2005-06B	1-26-06	1-26-07	\$ 536,687	\$ 10,820	\$ 535,000	\$ 10,224	\$ 3,341
2006-07A	6-28-06	6-28-07	678,056	211	679,000	167	5,167
			<u>\$ 1,214,743</u>	<u>\$ 11,031</u>	<u>\$ 1,214,000</u>	<u>\$ 10,391</u>	<u>\$ 8,508</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2006 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2004-05B	\$ -	\$ 50,000	\$ 50,000	\$ -
2005-06A	-	75,000	75,000	-
2005-06B	-	75,000	75,000	-
	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ -</u>

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2005-06A	4.000%	3.903%
2005-06B	4.500%	4.772%
2006-07A	4.500%	5.676%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Adjustment	Balance End Of Year
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 89,000	\$ -	\$ -	\$ -	\$ 89,000
Construction in progress	12,500	416,849	12,500	-	416,849
Total capital assets not being depreciated	\$ 101,500	\$ 416,849	\$ 12,500	\$ -	\$ 505,849
Capital assets being depreciated:					
Buildings	\$ 9,224,440	\$ 86,740	\$ -	\$ 184,706	\$ 9,495,886
Improvements other than buildings	392,655	88,675	-	-8,572	472,758
Furniture and equipment	2,966,872	152,255	36,893	-150,063	2,932,171
Total capital assets being depreciated	\$ 12,583,967	\$ 327,670	\$ 36,893	\$ 26,071	\$ 12,900,815
Less accumulated depreciation for:					
Buildings	\$ 3,882,866	\$ 140,202	\$ -	\$ 184,706	\$ 4,207,774
Improvements other than buildings	262,876	10,463	-	-8,572	264,767
Furniture and equipment	2,537,716	155,502	36,893	-179,592	2,476,733
Total accumulated depreciation	\$ 6,683,458	\$ 306,167	\$ 36,893	\$ -3,458	\$ 6,949,274
Total capital assets being depreciated, net	\$ 5,900,509	\$ 21,503	\$ -	\$ 29,529	\$ 5,951,541
Governmental Activities Capital Assets, Net	\$ 6,002,009	\$ 438,352	\$ 12,500	\$ 29,529	\$ 6,457,390

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 91,853	\$ -	\$ 11,293	\$ 80,560
Less accumulated depreciation	39,538	7,023	11,292	35,269
Business Type Activities Capital Assets, Net	\$ 52,315	\$ -7,023	\$ 1	\$ 45,291

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 228,786
Special	10,502
Other	17,261

Support services:

Instructional staff	4,856
Administration	5,354
Operation and maintenance of plant	4,816
Transportation	34,592

Total Depreciation Expense – Governmental Activities \$ 306,167

Business Type Activities:

Food service operations	<u>\$ 7,023</u>
-------------------------	-----------------

(7) **Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Capital notes payable	\$ 2,520,000	\$ 150,000	\$ 244,548	\$ 2,425,452	\$ 220,637
Early retirement	99,391	39,142	30,483	108,050	39,688
Capital lease	91,903	-	72,885	19,018	19,018
Total	\$ 2,711,294	\$ 189,142	\$ 347,916	\$ 2,552,520	\$ 279,343

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application, which is required to be approved by the Board of Education. Early retirement expenditures for the year ended June 30, 2006 totaled \$30,483.

QZAB Capital Loan

The QZAB Capital Loan is a federal program in which the \$1,000,000 is due in ten years with one lump payment with a 0% interest rate. The District is required to deposit \$87,749 per year into an escrow account, which will earn 2.85% interest on the funds to be used for the repayment of the loan. Details of the escrow account are as follows:

Year Ending June 30,	QZAB Capital Loan Escrow Issued April 15, 2002		
	Principal	Interest Earned	Total Escrow Account
2003	\$ 87,749	\$ -	\$ 87,749
2004	87,749	2,519	90,268
2005	87,749	5,110	92,859
2006	87,749	7,818	95,567
Total	\$ 350,996	\$ 15,447	\$ 366,443

Capital Loan Notes

Details of the District's June 30, 2006 capital loan notes indebtedness are as follows:

Year Ending June 30,	Capital Loan – PPEL Issued May 1, 2002			
	Interest Rates	Principal	Interest	Total
2007	4.1%	\$ 60,000	\$ 16,313	\$ 76,313
2008	4.2%	65,000	14,062	79,062
2009	4.2%	65,000	11,463	76,463
2010	4.2%	65,000	8,830	73,830
2011	4.25%	70,000	6,165	76,165
2012	4.3%	75,000	3,225	78,225
Total		\$ 400,000	\$ 60,058	\$ 460,058

Year Ending June 30,	Capital Loan – LOST (Local Option Sales Tax) Issued September 1, 2002			
	Interest Rates	Principal	Interest	Total
2007	3.6%	\$ 145,000	\$ 36,886	\$ 181,886
2008	3.8%	150,000	31,666	181,666
2009	3.95%	160,000	25,966	185,966
2010	4.1%	165,000	19,646	184,646
2011	4.25%	170,000	12,880	182,880
2012	4.35%	130,000	5,656	135,656
Total		\$ 920,000	\$ 132,700	\$ 1,052,700

Year Ending June 30,	Capital Loan – PPEL Issued June 6, 2006			
	Interest Rates	Principal	Interest	Total
2007	5.5%	\$ 15,637	\$ 5,863	\$ 21,500
2008	5.5%	14,046	4,954	19,000
2009	5.5%	17,333	4,167	21,500
2010	5.5%	20,786	3,214	24,000
2011	5.5%	19,429	2,071	21,500
2012	5.5%	18,221	1,005	19,226
Total		\$ 105,452	\$ 21,274	\$ 126,726

The District entered into a lease purchase agreement with Wells Fargo Bank in February 2002 for the purchase of exercise equipment for \$207,984.10. Under a three-year lease, \$6,412.44 monthly payments are due. The District had a school participation agreement with the National School Fitness Foundation (NSFF) which was to reimburse the District for these lease payments. In April 2004, the NSFF filed bankruptcy and has not made payments to the District.

During the year ended June 30, 2006, the District made principal, interest, and fees payments totaling \$382,408 under the agreements.

8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$172,740, \$148,603, and \$147,236, respectively, equal to the required contributions for each year.

(9) Risk Management

Postville Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$197,612 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Construction Commitments

The District has entered into a contract to remodel the High School for \$623,152, of which \$260,764 was not complete at June 30, 2006.

The District has entered into a contract to replace the gym floors for \$114,500, of which \$38,100 was not complete at June 30, 2006.

Required Supplementary Information

Postville Community School District

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Fund**

Required Supplementary Information

Year Ended June 30, 2006

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Local sources	\$ 2,471,138	\$ 104,814
Intermediate sources	-	-
State sources	2,908,045	3,344
Federal sources	663,050	154,853
Total Receipts	\$ 6,042,233	\$ 263,011
Disbursements:		
Instruction	\$ 3,307,304	\$ 1,680
Support services	1,761,828	-
Non-instructional programs	996	246,821
Other expenditures	848,548	-
Total Disbursements	\$ 5,918,676	\$ 248,501
Excess (deficiency) of receipts over (under) disbursements	\$ 123,557	\$ 14,510
Other financing sources, net	154,943	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 278,500	\$ 14,510
Balances beginning of year	1,161,175	52,682
Balances End of Year	\$ 1,439,675	\$ 67,192

See accompanying independent auditor's report.

Total Actual	Budgeted Amounts		Final To Actual Variance
	Original	Amended	
\$ 2,575,952	\$ 2,578,871	\$ 2,578,871	\$ -2,919
-	-	-	-
2,911,389	2,908,816	2,908,816	2,573
817,903	680,000	680,000	137,903
\$ 6,305,244	\$ 6,167,687	\$ 6,167,687	\$ 137,557
\$ 3,308,984	\$ 3,956,031	\$ 3,956,031	\$ 647,047
1,761,828	1,800,528	1,800,528	38,700
247,817	514,457	514,457	266,640
848,548	716,192	898,000	49,452
\$ 6,167,177	\$ 6,987,208	\$ 7,169,016	\$ 1,001,839
\$ 138,067	\$ -819,521	\$ -1,001,329	\$ 1,139,396
154,943	3,500	3,500	151,443
\$ 293,010	\$ -816,021	\$ -997,829	\$ 1,290,839
1,213,857	805,232	805,232	408,625
\$ 1,506,867	\$ -10,789	\$ -192,597	\$ 1,699,464

Postville Community School District

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year Ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 6,042,233	\$ 131,030	\$ 6,173,263
Expenditures	5,918,676	215,329	6,134,005
Net	\$ 123,557	\$ -84,299	\$ 39,258
Other financing sources, net	154,943	-822	154,121
Beginning fund balances	1,161,175	-343,114	818,061
Ending Fund Balances	\$ 1,439,675	\$ -428,235	\$ 1,011,440

	Proprietary Fund Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 263,011	\$ 16,637	\$ 279,648
Expenses	248,501	26,213	274,714
Net	\$ 14,510	\$ -9576	\$ 4,934
Beginning net assets	52,682	67,242	119,924
Ending Net Assets	\$ 67,192	\$ 57,666	\$ 124,858

Postville Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year-end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment increasing budgeted expenditures by \$181,808.

Other Supplementary Information

Postville Community School District

Combining Balance Sheet
Non-Major Special Revenue Funds

June 30, 2006

	Debt Service	Management Levy	Student Activity	Total
Assets				
Cash and pooled investments	\$ 2,600	\$ 139,793	\$ 19,186	\$ 161,579
Receivables:				
Property Tax:				
Delinquent	-	2,372	-	2,372
Succeeding year	-	120,000	-	120,000
Accounts	-	-	4,996	4,996
Total Assets	\$ 2,600	\$ 262,165	\$ 24,182	\$ 288,947
Liabilities & Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 2,281	\$ 2,281
Deferred revenue:				
Succeeding year property tax	-	120,000	-	120,000
Total Liabilities	\$ -	\$ 120,000	\$ 2,281	\$ 122,281
Fund Equity:				
Unreserved fund balances	2,600	142,165	21,901	166,666
Total Liabilities & Fund Equity	\$ 2,600	\$ 262,165	\$ 24,182	\$ 288,947

Postville Community School District

**Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Special Revenue Funds**

Year Ended June 30, 2006

	Debt Service	Management Levy	Student Activity	Total
Revenues:				
Local Sources:				
Local tax	\$ -	\$ 109,798	\$ -	\$ 109,798
Other	62	7,789	145,917	153,768
State sources	-	67	-	67
Total Revenues	\$ 62	\$ 117,654	\$ 145,917	\$ 263,633
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ -	\$ 50,384	\$ -	\$ 50,384
Other instruction	-	-	152,454	152,454
Support Services:				
Student support services	-	773	-	773
Instructional staff services	-	3,203	-	3,203
Administration services	-	3,942	-	3,942
Operation and maintenance of plant services	-	43,592	-	43,592
Transportation services	-	10,919	-	10,919
Non-instructional programs	-	996	-	996
Other Expenditures:				
Long-Term Debt:				
Principal	317,432	-	-	317,432
Interest and fiscal charges	64,976	-	-	64,976
Total Expenditures	\$ 382,408	\$ 113,809	\$ 152,454	\$ 648,671
Excess (deficiency) of revenues over (under) expenditures	\$ -382,346	\$ 3,845	\$ -6,537	\$ -385,038
Other Financing Sources (Uses):				
Operating transfers in	\$ 382,408	\$ -	\$ -	\$ 382,408
Operating transfers out	-	-	-1,617	-1,617
Total Other Financing Sources (Uses)	\$ 382,408	\$ -	\$ -1,617	\$ 380,791
Excess (deficiency) of revenues & other financing sources over (under) expenditures & other financing uses	\$ 62	\$ 3,845	\$ -8,154	\$ -4,247
Fund balances beginning of year	2,538	138,320	30,055	170,913
Fund Balances End of Year	\$ 2,600	\$ 142,165	\$ 21,901	\$ 166,666

See accompanying independent auditor's report.

Postville Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2006

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures and Inter-fund Transfers	Intra- Fund Transfers	Balance End of Year
Drama	\$ 3,680	\$ 7,473	\$ 12,285	\$ 1,682	\$ 550
Vocal music	-	1,063	1,201	138	-
Instrumental music	-	-	1,030	1,030	-
High School golf	-	21	874	853	-
High School boys basketball	81	3,467	1,847	-1,701	-
High School boys football	-172	7,154	7,903	833	-88
High School baseball	-260	1,861	2,384	838	55
High School boys track	-	340	2,709	2,369	-
High School wrestling	-	1,354	2,643	1,289	-
High School girls basketball	19	10,388	10,155	-	252
High School volleyball	-	1,626	1,818	192	-
High School softball	-28	1,774	3,656	1,978	68
High School girls track	-290	966	1,167	491	-
Class of 2005	459	-	459	-	-
Class of 2006	3,863	20	1,435	-	2,448
Class of 2007	107	14,997	12,375	-	2,729
Class of 2008	-	-	-	-	-
Class of 2009	-	-	74	74	-
High School student council	589	7,312	6,491	-	1,410
FCCLA	1,165	7,977	8,131	-55	956
Peer Helpers	473	816	829	-140	320
Mirror	2,395	5,696	9,692	1,601	-
Cheerleaders	813	7,610	6,271	-	2,152
National Honor Society	-	-	160	160	-
SADD	254	-	-	-161	93
Magazines	-	14,011	12,554	-1,457	-
Elementary student council	521	5,162	2,615	-1,305	1,763
Interest account	433	1,398	499	-1,204	128
Resale basketball	6	3,188	3,188	-	6
Resale band	964	1,134	848	-	1,250
Resale softball	84	-	36	-	48
Resale baseball	-	-	-	-	-
Resale football	-	2,339	2,243	-	96
Resale Home Economics	-	154	153	-	1
Resale girls track	6	-	-	-	6
Resale golf	-	-	-	-	-
Resale boys track	-	-	-	-	-
FFA	10,148	24,696	27,374	-	7,470
Resale volleyball	-	1,276	1,233	-	43

Postville Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2006

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures and Inter-fund Transfers	Intra- Fund Transfers	Balance End of Year
Athletics	\$ 4,742	\$ 10,279	\$ 4,972	\$ -9,904	\$ 145
Middle School boys basketball	-	-	440	440	-
Middle School football	-	-	540	540	-
Middle School boys track	-	140	336	196	-
Middle School wrestling	-	-	275	275	-
Middle School girls basketball	-	15	440	425	-
Middle School volleyball	-	-	400	400	-
Middle School girls track	3	210	336	123	-
Total	\$ 30,055	\$ 145,917	\$ 154,071	\$ -	\$ 21,901

Postville Community School District

Schedule of Changes in Fiduciary Assets and Liabilities -
Agency Funds – Summary

Year Ended June 30, 2006

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 9,327	\$ 48,954	\$ 47,741	\$ 10,540
Accounts receivable	210	163	210	163
Total Assets	\$ 9,537	\$ 49,117	\$ 47,951	\$ 10,703
Liabilities				
Accounts payable	\$ 9,537	\$ 49,117	\$ 47,951	\$ 10,703
Total Liabilities	\$ 9,537	\$ 49,117	\$ 47,951	\$ 10,703

See accompanying independent auditor's report.

Postville Community School District
Schedule of Changes in Fiduciary Assets and Liabilities -
Agency Funds – Detail

Year Ended June 30, 2006

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Music events	\$ 167	\$ 5,090	\$ 5,224	\$ 33
Band boosters	-340	2,283	1,059	884
Athletic events	110	17,397	17,430	77
Climate committee	226	380	197	409
Retiree insurance	3,489	13,569	16,082	976
Bell fund	2,140	125	-	2,265
Outdoor bulletin	-338	459	-	121
Production class	1	-	-	1
Spanish Club	-	3,602	1,906	1,696
Upper Iowa Conference	4,082	1,427	5,359	150
AEA 1	-	634	634	-
Music event	-	4,151	60	4,091
Total	\$ 9,537	\$ 49,117	\$ 47,951	\$ 10,703

Postville Community School District

Combining Balance Sheet
Expendable Trust Funds

June 30, 2006

	Knutson Scholarship	Jamey Ash Memorial	Harnack Scholarship	Capper Scholarship	Martin Trust	Total
Assets						
Cash	\$ 4,082	\$ 5,629	\$ 415	\$ 398	\$ 612	\$ 11,136
Total Assets	\$ 4,082	\$ 5,629	\$ 415	\$ 398	\$ 612	\$ 11,136
Liabilities and Fund Equity						
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund equity:						
Fund Balances:						
Unreserved, undesignated fund balance	4,082	5,629	415	398	612	11,136
Total Liabilities and Fund Equity	\$ 4,082	\$ 5,629	\$ 415	\$ 398	\$ 612	\$ 11,136

See accompanying independent auditor's report.

Postville Community School District

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Expendable Trust Funds

Year Ended June 30, 2006

	Knutson Scholarship	Jamey Ash Memorial	Harnack Scholarship	Capper Scholarship	Martin Trust	Total
Revenues:						
Local Sources:						
Interest from non-expendable trust fund investments	\$ -	\$ 135	\$ 416	\$ 398	\$ 16	\$ 965
Contributions	4,082	-	-	-	-	4,082
	<u>\$ 4,082</u>	<u>\$ 135</u>	<u>\$ 416</u>	<u>\$ 398</u>	<u>\$ 16</u>	<u>\$ 5,047</u>
Expenditures:						
Instruction:						
Regular Instruction: Scholarships	\$ -	\$ -	\$ 294	\$ 335	\$ -	\$ 629
Excess (deficiency) of revenues over (under) expenditures	\$ 4,082	\$ 135	\$ 122	\$ 63	\$ 16	\$ 4,418
Fund balances beginning of year	-	5,494	293	335	596	6,718
Fund Balances End of Year	<u>\$ 4,082</u>	<u>\$ 5,629</u>	<u>\$ 415</u>	<u>\$ 398</u>	<u>\$ 612</u>	<u>\$ 11,136</u>

See accompanying independent auditor's report.

Postville Community School District

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2006	2005	2004	2003
Revenues:				
Local Sources:				
Local tax	\$ 1,783,127	\$ 1,630,556	\$ 1,585,891	\$ 1,567,257
Tuition	98,971	140,600	142,490	172,719
Other	643,009	510,984	608,632	537,157
Intermediate sources	-	-	-	700
State sources	2,908,432	2,726,816	2,505,501	2,757,784
Federal sources	739,724	408,382	689,604	931,431
Total	\$ 6,173,263	\$ 5,417,338	\$ 5,532,118	\$ 5,967,048
Expenditures:				
Instruction:				
Regular instruction	\$ 1,971,723	\$ 1,975,912	\$ 2,042,077	\$ 2,123,497
Special instruction	499,879	554,142	802,373	775,681
Other instruction	803,014	795,634	505,707	561,068
Support services:				
Student services	166,615	127,274	119,340	113,379
Instructional staff services	224,379	101,620	76,982	84,011
Administrative services	653,175	540,534	471,885	519,559
Operation and maintenance of plant services	527,793	466,425	659,882	415,013
Transportation services	180,352	145,485	162,122	160,873
Community services	16,260	-	10,734	17,066
Non-instructional programs	996	1,174	-	647
Other expenditures:				
Facilities acquisition	509,799	13,245	2,048,687	2,611,595
Long-term debt:				
Principal	317,432	263,038	277,749	207,749
Interest and other charges	64,976	75,497	71,780	60,036
AEA flow-through	197,612	191,485	192,936	208,716
Total	\$ 6,134,005	\$ 5,251,465	\$ 7,442,254	\$ 7,858,890

Postville Community School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Distribution (non-cash)	10.550	FY06	\$ 17,971
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY06	\$ 29,462
National School Lunch Program	10.555	FY06	118,388
Team Nutrition Grant	10.574	FY06	161
			<u>\$ 148,011</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY06	\$ 120,695
Title I Grants Migrant Education	84.011	FY06	\$ 47,430
Safe and Drug-Free Schools and Communities – State Grant	84.186	FY06	\$ 138,333
Safe and Drug-Free Schools and Communities – State Grant	84.186	FY06	\$ 4,451
Special Education Grants to States	84.027	FY06	\$ 36,739
Innovative Education Program Strategies (Title V Program)	84.298	FY06	\$ 2,146
Title III English Language Acquisition Grant	84.243	FY06	\$ 30,957
Title IIA-Federal Teacher Quality Program	84.367	FY06	\$ 31,545
Technology Literacy Challenge Funds Grants -			
Bilingual & ESL Training	84.318	FY06	\$ 1,065
Rural Education Achievement Program	84.358	FY06	\$ 18,431
Iowa Demonstration Construction Grant	84.215	FY06	\$ 265,408
Title VI Assessments	84.298	FY06	\$ 3,372
Technology Literacy Challenge Funds Grants -			
Title IID (E2T2)	84.318	FY06	\$ 2,348
U.S. Department of Health & Human Services:			
Iowa Department of Education:			
Medical Assistance Program	93.778	FY06	\$ 32,574
Medical Assistance – Time Study	93.778	FY06	1,919
			<u>\$ 34,493</u>
Total			<u>\$ 903,395</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Postville Community School District and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of
Postville Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Postville Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated August 22, 2006. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Postville Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe items II-A-06 and II-B-06 are material weaknesses.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether Postville Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Postville Community School District and other parties to whom Postville Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Postville Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge
Certified Public Accountant

August 22, 2006

**Independent Auditor's Report on Compliance with Requirements Applicable
To Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

Independent Auditor's Report on Compliance with Requirements Applicable
To Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Postville Community School District

Compliance

I have audited the compliance of Postville Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Postville Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings. Compliance with the requirements of law, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Postville Community School District's management. My responsibility is to express an opinion on Postville Community School District's compliance based on my audit.

I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Postville Community School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Postville Community School District's compliance with those requirements.

In my opinion, Postville Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Postville Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing my audit, I considered Postville Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

I noted matters involving the internal control over compliance and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect Postville Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. The reportable conditions are described as items III-A-06 and III-B-06 in the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of law, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe items III-A-06 and III-B-06 are material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Postville Community School District and other parties to whom Postville Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Keith Oltrogge CPA-PC". The signature is stylized and cursive.

Keith Oltrogge
Certified Public Accountant

August 22, 2006

Postville Community School District

Schedule of Findings

Year Ended June 30, 2006

Part I – Summary of the Independent Auditor's Results:

- a) An unqualified opinion was issued on the financial statements.
- b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- c) The audit did not disclose any non-compliance which is material to the financial statements.
- d) A reportable condition in internal control over major programs was disclosed by the audit of the financial statements, including a material weakness.
- e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510 (a).
- g) Major programs were as follows:
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
 - CFDA Number 84.027 – Special Education Grant to States
 - CFDA Number 84.215 – Iowa Demonstration Construction Grant
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i) Postville Community School District did not qualify as a low-risk auditee.

Postville Community School District

Schedule of Findings

Year Ended June 30, 2006

Part II – Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-06 Segregation of Duties – The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition, but it is important the District officials are aware that the condition exists.

Recommendation – I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion – Response accepted.

II-B-06 Check-Signing Machine – I noted that a check-signing machine was used to sign checks. I also noted that the person who wrote the checks, journalized transactions and reconciled the bank accounts had access to the check-signing machine.

Recommendation – The District should establish procedures to control access to the check-signing machine, such as having another person control the key to the machine and establishing a log of the numbers of the checks signed that reconciles to a counter on the machine.

Response – We will review our procedures controlling access to the check-signing machine.

Conclusion – Response accepted.

Postville Community School District

Schedule of Findings

Year Ended June 30, 2006

Part III – Findings For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

CFDA Number 84.010: Title I Grants to Local Educational Agencies

CFDA Number 84.215: Iowa Demonstration Construction Grant

III-A-06 Segregation of Duties – The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition, but it is important the District officials are aware that the condition exists.

Recommendation – I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion – Response accepted.

III-B-06 Check-Signing Machine – I noted that a check-signing machine was used to sign checks. I also noted that the person who wrote the checks, journalized transactions and reconciled the bank accounts had access to the check-signing machine.

Recommendation – The District should establish procedures to control access to the check-signing machine, such as having another person control the key to the machine and establishing a log of the numbers of the checks signed that reconciles to a counter on the machine.

Response – We will review our procedures controlling access to the check-signing machine.

Conclusion – Response accepted.

Postville Community School District

Schedule of Findings

Year Ended June 30, 2006

Part IV - Other Findings Related to Statutory Reporting:

IV-A-06 Certified Budget – Disbursements for the year ended June 30, 2006 did not exceed the certified budget.

IV-B-06 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-06 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-06 Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-E-06 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

IV-F-06 Board Minutes – The minutes record was examined and appeared to give a condensed account of business transactions by the Board. No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-06 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

IV-H-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

IV-I-06 Certified Annual Report – The Certified Annual Report was filed with the Iowa Department of Education timely.

II-J-06 Deficit Balances – The Student Activity account had one deficit account at June 30, 2006.

Recommendation – The District should continue to investigate alternatives to eliminate this deficit in order to return this account to a sound financial condition.

Response – The District is continuing to investigate alternatives to eliminate this deficit in the account at the end of the fiscal year.

Conclusion – Response accepted.